

**ADVANCED CERAMIC X CORPORATION**  
Financial Statements and  
Independent Auditors' Review Report  
For the Three Months Ended March 31, 2020 and 2019

**Address : No.16, Tzu Chiang Road, Hsinchu Industrial Park, Hsinchu County, Taiwan**  
**Telephone : (03) 598-7008**

**Notes to Readers**

The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English version and Chinese version, the Chinese-language independent auditors' review report and financial statements shall prevail.

## **Independent Accountants' Review Report**

To the Board of Directors of Advanced Ceramic X Corporation:

### **Introduction**

We have reviewed the accompanying balance sheets of the Advanced Ceramic X Corporation of March 31, 2020 and 2019, and the related statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our review.

### **Scope of Review**

We conducted our reviews in accordance with Statement of Auditing Standards NO. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as of March 31, 2020 and 2019, and of its financial performance and its cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)

May 5, 2020

### **Notice to Readers**

The accompanying financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English version and Chinese version, the Chinese-language independent auditors' review report and financial statements shall prevail.

Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2020 and 2019

**Advanced Ceramic X Corporation**

**Balance Sheets**

**March 31, 2020, December 31, 2019 and March 31, 2019**

(Expressed in Thousands of New Taiwan Dollars)

Assets	March 31, 2020		December 31, 2019		March 31, 2019		Liabilities and Equity	March 31, 2020		December 31, 2019		March 31, 2019	
	Reviewed		Audited		Reviewed			Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Current Assets :</b>							<b>Current Liabilities :</b>						
1100 Cash and Cash Equivalents (Note 6(1))	\$ 1,642,388	41	1,727,244	46	2,198,274	55	2170 Accounts Payable	\$ 55,488	1	50,504	1	39,736	1
1170 Notes and Accounts Receivable, Net (Note 6(2) and (11))	240,579	6	178,135	5	187,073	5	2201 Salary and Bonus Payable	137,094	4	120,688	3	139,392	4
1180 Receivables from Related Parties (Note 6(2), (11) and 7)	174,402	4	84,294	2	85,173	2	2213 Payables to Contractors and Equipment (Note 7)	110,782	3	91,046	3	45,694	1
1310 Inventories (Note 6(3))	117,251	3	117,516	3	126,109	3	2230 Income Tax Payable	114,480	3	68,006	2	143,880	4
1476 Other Financial Assets - Current (Note 6(1) and 8)	216,160	5	216,237	6	217,976	5	2399 Other Current Liabilities (Note 6(6) and 7)	134,083	3	137,282	4	127,553	3
1479 Other Current Assets	40,382	1	25,642	-	20,761	1		551,927	14	467,526	13	496,255	13
	<u>2,431,162</u>	<u>60</u>	<u>2,349,068</u>	<u>62</u>	<u>2,835,366</u>	<u>71</u>	<b>Noncurrent Liabilities :</b>						
<b>Noncurrent Assets :</b>							2600 Other Liabilities- Noncurrent	14,741	-	14,061	-	11,138	-
1600 Property, Plant and Equipment (Note 6(4), 7 and 8)	1,526,378	38	1,417,742	38	1,162,886	29		14,741	-	14,061	-	11,138	-
1780 Intangible Assets (Note 6(5))	1,641	-	1,783	-	608	-	<b>Total Liabilities</b>	566,668	14	481,587	13	507,393	13
1840 Deferred Tax Assets	9,497	-	9,497	-	9,409	-	<b>Equity (Note 6(9)) :</b>						
1900 Other Assets - Noncurrent	80,455	2	-	-	-	-	3100 Capital Stock	690,162	17	690,162	18	690,162	17
1980 Other Financial Assets - Noncurrent	217	-	447	-	463	-	3200 Capital Surplus	573,532	14	573,532	15	573,532	14
1975 Net Defined Benefit Asset - Noncurrent (Note6(7))	1,258	-	1,094	-	762	-	3300 Retained Earnings	2,220,246	55	2,034,350	54	2,238,407	56
	<u>1,619,446</u>	<u>40</u>	<u>1,430,563</u>	<u>38</u>	<u>1,174,128</u>	<u>29</u>	<b>Total Equity</b>	3,483,940	86	3,298,044	87	3,502,101	87
<b>Total Assets</b>	<b>\$ 4,050,608</b>	<b>100</b>	<b>3,779,631</b>	<b>100</b>	<b>4,009,494</b>	<b>100</b>	<b>Total Liabilities and Equity</b>	<b>\$ 4,050,608</b>	<b>100</b>	<b>3,779,631</b>	<b>100</b>	<b>4,009,494</b>	<b>100</b>

See accompanying notes to the financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards**

**Advanced Ceramic X Corporation**  
**Statements of Comprehensive Income**  
**For the Three Months Ended March 31, 2020 and 2019**  
(Expressed in Thousands of New Taiwan Dollars)

		<b>Three Months Ended March 31</b>			
		<b>2020</b>		<b>2019</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4100	<b>Net Revenue</b> (Note 6(11) and 7)	\$ 481,098	100	425,852	100
5000	<b>Cost of Revenue</b> (Note 6(3), (13) and 7)	199,890	42	168,794	40
	<b>Gross Profit</b>	<u>281,208</u>	<u>58</u>	<u>257,058</u>	<u>60</u>
	<b>Operating Expenses</b> (Note 6(13) and 7) :				
6100	Selling and Distribution Expenses	8,773	2	7,368	2
6200	General and Administrative Expenses	21,481	4	17,890	4
6300	Research and Development Expenses	31,098	6	26,963	6
6450	Expected Credit Impairment Loss (Gain) (Note 6(2))	1,542	-	(525)	-
		<u>62,894</u>	<u>12</u>	<u>51,696</u>	<u>12</u>
	<b>Profit from Operations</b>	<u>218,314</u>	<u>46</u>	<u>205,362</u>	<u>48</u>
	<b>Non-Operating Income and Expenses</b> :				
7101	Interest Income	2,837	1	3,754	1
7190	Other Income (Note 6(12))	2,434	1	705	-
7230	Foreign Exchange Gain, Net	8,785	2	1,109	1
		<u>14,056</u>	<u>4</u>	<u>5,568</u>	<u>2</u>
7900	<b>Profit Before Income Tax</b>	232,370	50	210,930	50
7950	<b>Income Tax Expense</b> (Note 6(8))	46,474	10	42,186	10
8200	<b>Net Income</b>	<u>185,896</u>	<u>40</u>	<u>168,744</u>	<u>40</u>
8300	<b>Other Comprehensive Income</b> :				
8300	<b>Other Comprehensive Income, net of tax</b>	-	-	-	-
8500	<b>Total Comprehensive Income</b>	<u>\$ 185,896</u>	<u>40</u>	<u>168,744</u>	<u>40</u>
	<b>Earnings Per Share (Expressed in Dollars)</b> (Note 6(10))				
9750	Basic Earnings Per Share	<u>\$ 2.69</u>		<u>2.44</u>	
9850	Diluted Earnings Per Share	<u>\$ 2.69</u>		<u>2.44</u>	

See accompanying notes to the financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards**

**Advanced Ceramic X Corporation  
Statements of Changes in Equity  
For the Three Months Ended March 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)**

	Common Stock	Capital Surplus	Retained Earnings		Capital Surplus	
			Legal Reserve	Undistributed Earnings		Subtotal
<b>Balance at January 1, 2019</b>	\$ 690,162	573,532	640,414	1,429,249	2,069,663	3,333,357
Profit for the Three Months Ended March 31, 2019	-	-	-	168,744	168,744	168,744
Other Comprehensive Income for the Three Months Ended March 31, 2019	-	-	-	-	-	-
Total Comprehensive Income for the Three Months Ended March 31, 2019	-	-	-	168,744	168,744	168,744
<b>Balance at March 31, 2019</b>	<b>\$ 690,162</b>	<b>573,532</b>	<b>640,414</b>	<b>1,597,993</b>	<b>2,238,407</b>	<b>3,502,101</b>
<b>Balance at January 1, 2020</b>	\$ 690,162	573,532	716,188	1,318,162	2,034,350	3,298,044
Profit for the Three Months Ended March 31, 2020	-	-	-	185,896	185,896	185,896
Other Comprehensive Income for the Three Months Ended March 31, 2020	-	-	-	-	-	-
Total Comprehensive Income for the Three Months Ended March 31, 2020	-	-	-	185,896	185,896	185,896
<b>Balance at March 31, 2020</b>	<b>\$ 690,162</b>	<b>573,532</b>	<b>716,188</b>	<b>1,504,058</b>	<b>2,220,246</b>	<b>3,483,940</b>

See accompanying notes to the financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards**

**Advanced Ceramic X Corporation**  
**Statements of Cash Flows**  
**For the Three Months Ended March 31, 2020 and 2019**  
(Expressed in Thousands of New Taiwan Dollars)

	<b>Three Months Ended March 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities :</b>		
Income Before Income Tax	\$ 232,370	210,930
Adjustments for :		
Depreciation Expense	36,488	37,479
Amortization Expense	163	75
Expected Credit Loss (Gain)	1,542	(525)
Interest Income	(2,837)	(3,754)
Provision (Reversal) for Inventory Obsolescence and Devaluation Loss	3,500	(6,000)
Total Adjustments to Reconcile Profit	<u>38,856</u>	<u>27,275</u>
Changes in Operating Assets and Liabilities :		
Notes and Accounts Receivable	(63,075)	3,438
Receivables from Related Parties	(91,019)	49,109
Inventories	(3,235)	10,299
Other Operating Current Assets	(14,740)	(1,873)
Net Defined Benefit Assets	(164)	(140)
Accounts Payable	4,984	(5,968)
Other Operating Current Liabilities (Including Salary Payable and Other Current Liabilities)	13,207	13,157
Other Liabilities-Noncurrent	680	661
Total Net Changes in Operating Assets and Liabilities	<u>(153,362)</u>	<u>68,683</u>
Cash Generated from Operations	117,864	306,888
Interest Received	2,914	3,785
Income Taxes Paid	-	(4)
<b>Net Cash Generated by Operating Activities</b>	<u>120,778</u>	<u>310,669</u>
<b>Cash Flows from Investing Activities :</b>		
Acquisition of Property, Plant and Equipment	(125,388)	(106,249)
Decrease in Guarantee Deposits	230	38
Decrease in Other Financial Assets	-	284,600
Increase in Other Assets- Noncurrent	(80,476)	-
<b>Net Cash Flows from (Used in) Investing Activities</b>	<u>(205,634)</u>	<u>178,389</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(84,856)	489,058
<b>Cash and Cash Equivalents at the Beginning of Period</b>	<u>1,727,244</u>	<u>1,709,216</u>
<b>Cash and Cash Equivalents at the End of Period</b>	<u><u>\$ 1,642,388</u></u>	<u><u>2,198,274</u></u>

See accompanying notes to the financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards**

**Advanced Ceramic X Corporation**

**Notes to Financial Statements**

**March 31, 2020 and 2019**

(Expressed in thousands of New Taiwan Dollars unless otherwise indicated)

**1. Company history**

Advanced Ceramic X Corporation (“the Company”) was incorporated in April 15, 1998 as a company limited by shares and registered under the Company Act of the Republic of China (R.O.C.). The address of the Company’s registered office is No.16, Tzu Chiang Road, Hsinchu Industrial Park, Hsinchu County, Taiwan. The major business activities of the Company are the design, manufacture and sale of RF Front-End devices and modules for applications in wireless communication.

**2. The authorization of financial statements**

These financial statements were authorized for issuance by the Board of Directors of the Company on May 5, 2020.

**3. Application of new standards, amendments and interpretations**

(1) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, ROC (“FSC”)

In preparing the accompanying financial statements, the Company has adopted the following International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) issued by the International Accounting Standards Board (“IASB”) (collectively, “IFRSs”) and endorsed by the FSC with effective date from January 1, 2020.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Per IASB</b>
Amendments to IFRS 3 “Definition of Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company believes that the initial adoption of above mentioned standards or interpretations would not have a material impact on its financial statement.

(2) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, following are the IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Per IASB</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Subject to IASB’s announcement
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current	January 1, 2022

## **Advanced Ceramic X Corporation**

### **Notes to Financial Statements**

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the above mentioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

#### **4. Summary of significant accounting policies**

##### **(1) Statement of compliance**

The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language financial statements, the Chinese version shall prevail.

The accompanying financial statements have been prepared in accordance with the revised Regulation Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China (hereinafter referred to the Regulations) and the guideline of IAS 34 "Interim Financial Reporting", as endorsed and issued into effect by the FSC. The financial statements do not present all the disclosures required for a complete set of annual financial statements prepared under the IFRSs endorsed by the FSC with effective dates.

Except for the following accounting policies mentioned below, the significant accounting policies adopted in the interim financial statements is the same as those in the financial statements for the year ended December 31, 2019. For the related information, please refer note 4 of the financial statements for the year ended December 31, 2019.

##### **(2) Employee benefits**

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

##### **(3) Income taxes**

Income tax expense in the financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting."

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by management. It is charged to profit or loss as an income tax expense.

Temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases are measured based on the tax rates that have been enacted or substantively enacted at the time the asset or liability is recovered or settled, and recognized directly in equity or other comprehensive income as tax expense.

#### **5. Significant accounting assumptions and judgments and major sources of estimation uncertainty**

The preparation of the financial statements in conformity with Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and approved by FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the financial statements for the year ended December 31, 2019. For the related information, please refer to note 5 of the financial statements for the year ended December 31, 2019.



**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

**6. Explanation of significant accounts**

Except for the following disclosure, the significant account disclosure in the financial statements for the three months ended March 31, 2020, which compare with the financial statements for the year ended December 31, 2019, was not changed significantly. For the related information, please refer to note 6 of the financial statements for the year ended December 31, 2019.

(1) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash	\$ 50	50	50
Cash in bank	282,108	232,103	142,298
Time deposits	<u>1,360,230</u>	<u>1,495,091</u>	<u>2,055,926</u>
	<u><b>\$ 1,642,388</b></u>	<u><b>1,727,244</b></u>	<u><b>2,198,274</b></u>

As of March 31, 2020, December 31, 2019 and March 31, 2019, the classified from cash and cash equivalents to other financial assets-current for time deposits, amounted to \$215,850 thousand, \$215,850 thousand and \$215,350, respectively.

Please refer to note 6(14) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(2) Notes and accounts receivable, net (including related parties)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes receivable	\$ 166	1,016	541
Accounts receivable	242,843	178,918	188,422
Accounts receivable from related parties	176,164	85,145	86,033
Less: Allowance for impairment	(2,430)	(1,799)	(1,890)
Allowance for impairment from related parties	<u>(1,762)</u>	<u>(851)</u>	<u>(860)</u>
	<u><b>\$ 414,981</b></u>	<u><b>262,429</b></u>	<u><b>272,246</b></u>
Notes and accounts receivable, net	<u><b>\$ 240,579</b></u>	<u><b>178,135</b></u>	<u><b>187,073</b></u>
Accounts receivable from related parties, net	<u><b>\$ 174,402</b></u>	<u><b>84,294</b></u>	<u><b>85,173</b></u>

The Company applies the simplified approach to provide for its loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and days past due, as well as incorporate forward looking information. The loss allowance provision was determined as follows:

	<u>March 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average expected loss rate</u>	<u>Lifetime expected credit loss allowance</u>
Not past due	\$ 417,722	1%~2%	4,177
Past due less than 30 days	1,447	1%~2%	15
Past due 31~120 days	<u>4</u>	1%~2%	<u>-</u>
	<u><b>\$ 419,173</b></u>		<u><b>4,192</b></u>

**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected loss rate</b>	<b>Lifetime expected credit loss allowance</b>
Not past due	\$ 264,876	1%~2%	2,648
Past due less than 30 days	181	1%~2%	2
Past due 31~120 days	22	1%~2%	-
	<b>\$ 265,079</b>		<b>2,650</b>
	<b>March 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected loss rate</b>	<b>Lifetime expected credit loss allowance</b>
Not past due	\$ 273,578	1%~2%	2,736
Past due less than 30 days	1,418	1%~2%	14
	<b>\$ 274,996</b>		<b>2,750</b>

The movements of allowance for doubtful accounts were as follows:

	<b>Three months ended March 31, 2020</b>	<b>Three months ended March 31, 2019</b>
Beginning balance	\$ 2,650	3,275
Provision (Reversal) of impairment loss	1,542	(525)
Ending balance	<b>\$ 4,192</b>	<b>2,750</b>

The payment terms granted to customers are generally 30 to 150 days from the end of the month during which the invoice is issued.

As of March 31, 2020, December 31, 2019 and March 31, 2019, the notes and accounts receivable were not pledged as collateral.

For information on the Company's credit risk was disclosed in note 6(14).

(3) Inventories

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Raw materials and supplies	\$ 36,998	27,582	31,701
Work in process	58,158	58,279	53,397
Finished goods	22,095	31,655	41,011
	<b>\$ 117,251</b>	<b>117,516</b>	<b>126,109</b>

For the three months ended March 31, 2020 and 2019, the amounts of inventories that were charged to cost of sales were \$196,390 thousand and \$174,794 thousand, respectively. For the three months ended March 31, 2020, the net of provisions that charged to cost of sales for inventories written down to net realizable value amounted to \$3,500 thousand and the reversal of inventories written down were \$6,000 thousand for the three months ended March 31, 2019.

As of March 31, 2020, December 31, 2019 and March 31, 2019, the inventories were not pledged as collateral.

**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

(4) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the three months ended March 31, 2020 and 2019 were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Office &amp; Other equipment</u>	<u>Construction in progress &amp; equipmen under installation</u>	<u>Total</u>
Cost :						
Balance at January 1, 2020	\$ 248,651	359,639	2,038,877	190,527	583,434	3,421,128
Additions	-	-	1,188	1,190	142,746	145,124
Reclassifications	-	-	9,707	2,481	(12,188)	-
Disposals	-	-	(400)	(240)	-	(640)
Balance at March 31, 2020	<u>\$ 248,651</u>	<u>359,639</u>	<u>2,049,372</u>	<u>193,958</u>	<u>713,992</u>	<u>3,565,612</u>
Balance at January 1, 2019	\$ 248,651	359,639	1,999,635	172,814	205,413	2,986,152
Additions	-	-	155	4,820	94,441	99,416
Reclassifications	-	-	1,395	3,001	(4,396)	-
Disposals	-	-	(220)	(1,729)	-	(1,949)
Balance at March 31, 2019	<u>\$ 248,651</u>	<u>359,639</u>	<u>2,000,965</u>	<u>178,906</u>	<u>295,458</u>	<u>3,083,619</u>
Depreciation :						
Balance at January 1, 2020	\$ -	250,847	1,611,814	140,725	-	2,003,386
Depreciation	-	3,099	29,538	3,851	-	36,488
Disposals	-	-	(400)	(240)	-	(640)
Balance at March 31, 2020	<u>\$ -</u>	<u>253,946</u>	<u>1,640,952</u>	<u>144,336</u>	<u>-</u>	<u>2,039,234</u>
Balance at January 1, 2019	\$ -	238,450	1,518,082	128,671	-	1,885,203
Depreciation	-	3,099	31,084	3,296	-	37,479
Disposals	-	-	(220)	(1,729)	-	(1,949)
Balance at March 31, 2019	<u>\$ -</u>	<u>241,549</u>	<u>1,548,946</u>	<u>130,238</u>	<u>-</u>	<u>1,920,733</u>
Carrying value :						
Balance at January 1, 2020	<u>\$ 248,651</u>	<u>108,792</u>	<u>427,063</u>	<u>49,802</u>	<u>583,434</u>	<u>1,417,742</u>
Balance at March 31, 2020	<u>\$ 248,651</u>	<u>105,693</u>	<u>408,420</u>	<u>49,622</u>	<u>713,992</u>	<u>1,526,378</u>
Balance at January 1, 2019	<u>\$ 248,651</u>	<u>121,189</u>	<u>481,553</u>	<u>44,143</u>	<u>205,413</u>	<u>1,100,949</u>
Balance at March 31, 2019	<u>\$ 248,651</u>	<u>118,090</u>	<u>452,019</u>	<u>48,668</u>	<u>295,458</u>	<u>1,162,886</u>

Pledged assets

As of March 31, 2020, December 31, 2019 and March 31, 2019, the property, plant and equipment of the Company had been pledged as collateral for short-term borrowings; please refer to note 8.

**Advanced Ceramic X Corporation**  
**Notes to Financial Statements**

(5) Intangible assets

	<b>Royalty</b>
Balance at January 1, 2020	<b>\$ 1,783</b>
Balance at March 31, 2020	<b>\$ 1,641</b>
Balance at January 1, 2019	<b>\$ 683</b>
Balance at March 31, 2019	<b>\$ 608</b>

For the three months ended March 31, 2020 and 2019, there were no significant additions, disposals, or recognition and reversal of impairment losses of intangible assets. Please refer to note 12(1) for details on impairment and to note 6(5) of the financial statements for the year ended December 31, 2019 for other related information.

As of March 31, 2020, December 31, 2019 and March 31, 2019, the intangible assets were not pledged as collateral.

(6) Other current liabilities

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Accrued expenses	\$ 102,727	92,968	99,714
Directors' remuneration payable	16,651	12,923	18,552
Other	14,705	31,391	9,287
	<b>\$ 134,083</b>	<b>137,282</b>	<b>127,553</b>

The above accrued expenses included material consumption, insurance, and water and electricity expense.

(7) Employee benefits

Defined benefit plans

The management believes that there was no material market volatility, material reimbursement and settlement, or other material one-time events. As a result, the pension cost in the accompanying interim financial statements was measured and disclosed according to the actuarial report as of December 31, 2019 and 2018.

Please refer to note 12(1) for employee pension costs or expenses under defined benefit plans and defined contribution plans.

(8) Income tax

A. Income tax expense

	<b>Three months ended March 31, 2020</b>	<b>Three months ended March 31, 2019</b>
Income tax expense	<b>\$ 46,474</b>	<b>42,186</b>

B. As of March 31, 2020, the tax authorities have completed the examination of income tax returns of the Company through 2018.

**Advanced Ceramic X Corporation**  
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(9) Capital and other equity

Except for the following disclosure, there were no significant change for capital and other equity for the three months ended March 31, 2020 and 2019. For the related information, please refer to note 6(9) of the financial statements for the year ended December 31, 2019.

A. Retained earnings

According to the amendment of Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a) Payment of taxes.
- (b) Making up loss for preceding years.
- (c) Setting aside 10% for legal reserve, except for when accumulated legal reserve has reached the total paid-up capital.
- (d) Appropriating or reversing special reserve by government officials or other regulations.
- (e) The remaining, plus the previous year's unappropriated earnings, shall be distributed according to the distribution plan proposed by the Board of Directors according to the dividend policy and submitted to the stockholders' meeting for approval.

The Company conducts business to operate in its growth phase, the dividend policy shall be determined pursuant to factors such as the investment environment, capital requirements, domestic and overseas competitive environment and capital budget, as well as stockholders' interest, dividend balance and long-term financial plan. The Board of Directors shall propose the distribution plan and submit it to the stockholders' meeting every year. The cash portion of the dividend, which may be in the form of cash and stock, shall not be less than 10% of the total dividend distributed during the year.

B. Earnings distribution

On February 25, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. On June 18, 2019, the shareholders' meetings resolved to distribute the 2018 earnings. These earnings were distributed as dividends as follows:

	<b>2019</b>	<b>2018</b>
Dividends distributed to ordinary shareholders Amount per share (NTD) :		
Cash dividends	<u><b>\$ 8.43</b></u>	<u><b>9.88</b></u>

The cash dividend per share for 2019 was NT\$8.43 per share according with the resolutions of the meeting of the Board of Directors on February 25, 2020. The appropriation of earnings has not yet been approved by the shareholders' meeting as of the reporting date. The related information mentioned above can be found on websites such as the Market Observation Post System.

(10) Earnings per share (EPS)

For the three months ended March 31, 2020 and 2019, the Company's earnings per share were calculated as follows:

	<b>Three months ended March 31, 2020</b>	<b>Three months ended March 31, 2019</b>
Basic EPS :		
Net profit belonging to common shareholders	<u><b>\$ 185,896</b></u>	<u><b>168,744</b></u>
Weighted average common stock outstanding (in thousands)	<u><b>69,016</b></u>	<u><b>69,016</b></u>
Basic EPS (NTD)	<u><b>\$ 2.69</b></u>	<u><b>2.44</b></u>

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	<b>Three months ended March 31, 2020</b>	<b>Three months ended March 31, 2019</b>	
Diluted EPS :			
Net profit belonging to common shareholders	<u>\$ 185,896</u>	<u>168,744</u>	
Weighted average common stock outstanding (in thousands) (basic)	69,016	69,016	
Employee compensation	131	165	
Weighted average common stock outstanding plus the effect of potentially dilutive common stock (in thousands) (diluted)	<u>69,147</u>	<u>69,181</u>	
Diluted EPS (NTD)	<u>\$ 2.69</u>	<u>2.44</u>	
 (11) Operating revenue from contracts with customers			
	<b>Three months ended March 31, 2020</b>	<b>Three months ended March 31, 2019</b>	
Primary geographic markets			
China	\$ 150,728	137,770	
United States	122,349	139,355	
Taiwan	74,524	63,500	
Hong Kong	93,590	51,659	
Other	39,907	33,568	
	<u>\$ 481,098</u>	<u>425,852</u>	
Main Product			
RF Front-End devices and modules	<u>\$ 481,098</u>	<u>425,852</u>	
 Contract balances :			
	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Notes receivable	\$ 166	1,016	541
Accounts receivable	242,843	178,918	188,422
Accounts receivable from related parties	176,164	85,145	86,033
Less: Allowance for impairment	(2,430)	(1,799)	(1,890)
Allowance for impairment from related parties	(1,762)	(851)	(860)
	<u>\$ 414,981</u>	<u>262,429</u>	<u>272,246</u>
Notes and accounts receivable, net	<u>\$ 240,579</u>	<u>178,135</u>	<u>187,073</u>
Accounts receivable from related parties, net	<u>\$ 174,402</u>	<u>84,294</u>	<u>85,173</u>

**Advanced Ceramic X Corporation**  
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For details on trade receivables and allowance for impairment, please refer to note 6(2).

As of March 31, 2020, December 31, 2019 and March 31, 2019, the Company contract liabilities amount was \$13,273 thousand, \$28,895 thousand and \$8,066 thousand, respectively. Contract liabilities are included in other current liabilities.

The major change in the balance of contract liabilities is unearned sales revenue to be contracts; the Company recognizes revenue when it satisfies a performance obligation by transferring control of goods to a customer. The amount of revenue recognized for the three months ended March 31, 2020 and 2019 that was included in the contract liabilities balance at the beginning for the period was \$28,895 thousand and \$9,778 thousand, respectively.

The contract liabilities primarily relate to the advance consideration received from customers for the RF Front-End devices and modules sales contracts, for which revenue is recognized when products are delivered to customers.

(12) Non-operating income and expenses

	<b>Three months ended March 31, 2020</b>	<b>Three months ended March 31, 2019</b>
Government grants income	\$ 2,199	535
Other income	235	170
	<b>\$ 2,434</b>	<b>705</b>

(13) Remuneration of employees and directors

According to the Company Articles of Incorporation, the Company should distribute remuneration to employees and directors not less than 5% and not more than 1.5% of annual profits, respectively, after offsetting accumulated deficits, if any. The aforementioned profit is the net profit before income tax excluding the remuneration to employees and directors for each period. Only employees, including employees of affiliate companies that meet certain conditions are subject to the abovementioned remuneration which to be distributed in stock or cash.

For the three months ended March 31, 2020 and 2019, the Company estimated the remuneration to employees amounting to \$12,426 thousand and \$11,280 thousand, respectively, and remuneration to directors amounting to \$3,728 thousand and \$3,384 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's Articles of Incorporation. These remunerations were included in the operating costs or operating expenses of the three months ended March 31, 2020 and 2019. The differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimated and recognized in profit or loss in the following year. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares on the day preceding the Board of Directors.

Remuneration to employees for 2019 and 2018 in the amounts of \$43,077 thousand and \$50,560 thousand, respectively, and remuneration to director for 2019 and 2018 in the amounts of \$12,923 thousand and \$15,168 thousand, respectively, in cash for payment has been approved in the meeting of Board of Directors. The aforementioned approved amounts are the same as the amounts charged against earnings of 2019 and 2018. The information about the Company's remuneration to employees and directors is available at the Market Observation Post System website.

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(14) Financial instruments

Except for the following disclosure, there was no significant change in the fair value of the Company's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(14) of the financial statement for the year ended December 31, 2019.

A. Credit risk

(a) Exposure of credit risk

The carrying amount of financial and contract assets represents the maximum credit exposure.

(b) Concentration of credit risk

The major customers of the Company are centralized in the electronics industry. As of March 31, 2020, December 31, 2019 and March 31, 2019, the Company's notes and account receivable (including related parties) were both concentrated on 5 customers, whose accounts represented 70%, 59% and 60% of the account receivables, respectively. For the information of credit risk exposure of notes and accounts receivable, please refer to note 6(2).

As of March 31, 2020, December 31, 2019 and March 31, 2019, the Company's cash in bank and time deposits were both concentrated on one financial institution, whose accounts represented 64%, 65% and 74% of the cash and cash equivalents and other financial assets, respectively. Thus, credit risk is significantly centralized. To reduce cash risk, the Company evaluates financial institutions' financial positions and credit rating periodically. After the assessment, management does not expect significant losses.

(c) Credit risk of financial assets measured at amortized cost

The Company financial assets at amortized cost include cash and cash equivalents, notes and receivables, and time deposits on other financial assets. About their information of credit risk exposure, please refer note 6(1) and (2).

The above-mentioned of financial assets are considered to be of low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. For the Company's assessment on whether credit risk is to be of low risk, please refer note 4(6) of the financial statements for the year ended December 31, 2019.

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments impact.

	<b>Carrying amount (Contractual cash flows)</b>	<b>Within 6 months</b>	<b>6 to 12 months</b>
<b>March 31, 2020</b>			
Non-derivative financial liabilities			
Accounts payable	\$ 55,488	55,488	-
Payables to contractors and equipment	110,782	110,782	-
	<b>\$ 166,270</b>	<b>166,270</b>	<b>-</b>



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	<b>Carrying amount (Contractual cash flows)</b>	<b>Within 6 months</b>	<b>6 to 12 months</b>
<b>December 31, 2019</b>			
Non-derivative financial liabilities			
Accounts payable	\$ 50,504	50,504	-
Payables to contractors and equipment	91,046	91,046	-
	<b>\$ 141,550</b>	<b>141,550</b>	-
<b>March 31, 2019</b>			
Non-derivative financial liabilities			
Accounts payable	\$ 39,736	39,736	-
Payables to contractors and equipment	45,694	45,694	-
	<b>\$ 85,430</b>	<b>85,430</b>	-

The Company did not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) The Company's significant exposure to foreign currency risk was as follows:

	March 31, 2020			December 31, 2019			March 31, 2019		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 13,967	30.175	421,454	13,548	29.930	405,492	9,965	30.770	306,623
JPY	913,695	0.2768	252,911	729,144	0.2740	199,785	455,583	0.2763	125,878
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	846	30.275	25,613	566	30.030	16,997	221	30.870	6,822
JPY	12,664	0.2808	3,556	23,352	0.2780	6,492	19,051	0.2803	5,340

(b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payable that are denominated in foreign currency. Depreciation or appreciation of the NTD by 1% against USD and JPY at March 31, 2020 and 2019, while all other variables were remained constant, would have increased (decreased) the net profit after tax by \$5,162 thousand and \$3,363 thousand, respectively. The analysis is performed on the same basis for both periods.

**Advanced Ceramic X Corporation**  
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(c) Gains or losses on monetary item

Since the Company has many kinds of functional currency, the information on foreign exchange loss on monetary items is disclosed by total amount. For the three months ended March 31, 2020 and 2019, foreign exchange gain, including realized and unrealized portions, amounted to \$8,785 thousand and \$1,109 thousand, respectively.

D. Interest rate risk

Please refer to the attached note for the liquidity risk and the Company's interest rate exposure to its financial liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivatives and non-derivatives financial instruments on the reporting date. For variable rate instrument, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Company's internal management reported the increases (decreases) in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

The Company's exposure to Interest rate risk arises from the bank deposit interest rates change. If the interest rate had increased (decreased) by 1%, the Company's net profit after tax would have increased (decreased) by \$3,716 thousand and \$4,831 thousand for the three months ended March 31, 2020 and 2019, all other variable factors that remain constant.

E. Fair value

The carrying amounts of the Company's non-derivative financial instruments-current, including financial assets at amortized cost, such as cash and cash equivalents, notes and receivables (including related parties), and other financial assets, and financial liabilities at amortized cost, such as accounts payable and payables to contractors and equipment, were considered to approximate their fair value due to their short-term nature.

(15) Financial risk management

There were no significant change in the Company's financial risk management and policies as disclosed in note 6(15) of the financial statements for the year ended December 31, 2019.

(16) Capital management

The objectives and policies of capital management of the Company have been applied consistently with those described in the financial statements for the year ended December 31, 2019. Also, there were no significant changes in the Company's capital management information as disclosed in the financial statements for the year ended December 31, 2019. Refer to note 6(16) of the financial statements for the year ended December 31, 2019 for the relevant information.

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**7. Related-party transactions:**

(1) Names and relationship with related parties

The followings are entities that have had transactions with the Company during the periods covered in the financial statements.

<u>Names of the related parties</u>	<u>Relationships</u>
Johanson Technology Inc. (JOHANSON)	The Company's director
Scientific Components Corporation (doing business as <u>Mini-Circuits(MINI-CKT)</u> )	The Company's director
Hsin Chang Construction Corporation	The Company's director

(2) Significant transactions with related parties

A. Operating revenue

The amounts of significant sales transactions between the Company and related parties were as follow:

	<u>Three months ended March 31, 2020</u>	<u>Three months ended March 31, 2019</u>
Key management personnel – JOHANSON	\$ 99,038	99,932
Key management personnel – MINI-CKT	23,150	37,812
	<u>\$ 122,188</u>	<u>137,744</u>

B. Receivables from related parties

<u>Categories</u>	<u>Account</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Key management personnel – JOHANSON	Receivables from related parties	\$ 167,373	75,455	67,923
	Bad Debt Provision	(1,674)	(754)	(679)
Key management personnel – MINI-CKT	Receivables from related parties	8,791	9,690	18,110
	Bad Debt Provision	(88)	(97)	(181)
		<u>\$ 174,402</u>	<u>84,294</u>	<u>85,173</u>

The selling price and collection terms of sales to related parties were determined in the economic environment and market competition, payment terms are 30 to 150 days.

The payment terms granted to routine sales customers are advance receipt or 30 to 120 days base on trading experience and credit assessment.

C. Consulting Service for Construction Engineering

As of December 31, 2019, Hsin Chang Construction Corporation provided consulting service for construction engineering amounted to \$800 thousand.

	<u>Construction and equipment payable</u>		
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Hsin Chang Construction Corporation	<u>0</u>	<u>800</u>	<u>0</u>

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D. Other

The transaction amount paid by the Company to its related parties for purchase spare parts and design service expenses and the related unpaid balances were as follows:

	<u>Amount</u>		<u>Other current liabilities</u>		
	<u>Three months ended March 31, 2020</u>	<u>Three months ended March 31, 2019</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
JOHANSON	<u>\$ 390</u>	<u>1,072</u>	<u>54</u>	<u>359</u>	<u>645</u>

(3) Transactions with key management personnel

The key management personnel compensation was comprised as follows:

	<u>Three months ended March 31, 2020</u>	<u>Three months ended March 31, 2019</u>
Short-term employee benefits	\$ 24,286	18,590
Post-employment benefits	27	27
	<u>\$ 24,313</u>	<u>18,617</u>

**8. Pledged assets:**

The carrying amounts of pledged assets were as follows:

<u>Pledge assets</u>	<u>Pledged to secure</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Time deposits				
(Other financial assets-current)	Customs duty guarantee	\$ -	-	2,000
Land				
(Property, plant and equipment)	Short-term borrowings	168,944	168,944	168,944
		<u>\$ 168,944</u>	<u>168,944</u>	<u>170,944</u>

**9. Commitments and contingencies:**

- (1) As of March 31, 2020, December 31, 2019 and March 31, 2019, the outstanding letters of credit for the Company's purchases of machinery and equipment and raw materials amounted to \$40,688 thousand, \$3,392 thousand and \$7,002 thousand, respectively.
- (2) As of March 31, 2020, December 31, 2019 and March 31, 2019, the Company purchased machinery and equipment and the unpaid amount was \$476,015 thousand, \$302,185 thousand and \$498,848 thousand, respectively.
- (3) Bank guarantees of the Company's purchases of raw materials, machinery and equipment amounted to \$2,000 thousand, as of March 31, 2020.
- (4) On March 31, 2020, the Company requested the bank to open performance bonds for the technology projects, guarantee period from April 7, 2019 to April 30, 2022, which amounted to \$20,340 thousand.

**Advanced Ceramic X Corporation**  
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**10. Losses due to major disasters: None**

**11. Subsequent events: None**

**12. Other:**

(1) The employee benefits, depreciation and amortization expenses, categorized by function, were as follows:

	Three months ended March 31, 2020			Three months ended March 31, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salaries	30,881	30,595	61,476	26,136	27,125	53,261
Labor and health insurance	2,651	1,687	4,338	2,420	1,577	3,997
Pension	1,040	857	1,897	932	793	1,725
Directors remuneration	3,392	384	3,776	3,079	359	3,438
Others	1,251	670	1,921	1,187	620	1,807
Depreciation	31,847	4,641	36,488	33,465	4,014	37,479
Amortization	21	142	163	-	75	75

(2) Seasonality of operations:

The operations are not affected by seasonal factors or cyclical factors.

**13. Other disclosures:**

(1) Information on significant transactions:

A. Loans to other parties: None

B. Guarantees and endorsements for other parties: None

C. Securities held as of March 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): None

D. Individual securities acquired or disposed off with accumulated amount exceeding the lower of NTD\$300 million or 20% of the capital stock: None

E. Acquisition of individual real estate with amount exceeding the lower of NTD\$300 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The company	New construction plant	2017.11.7	663,695	485,432	Xu Yuan Construction Corp.	-	N/A	N/A	N/A	-	Bidding	Manufacturing purpose	None

**Advanced Ceramic X Corporation**  
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- F. Disposal of individual real estate with amount exceeding the lower of NTD\$300 million or 20% of the capital stock: None
- G. Related-party transactions for purchases and sales with amounts exceeding the lower of NTD\$100 million or 20% of the capital stock: None
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock: None

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amount received in subsequent period	Loss allowance
					Amount	Action taken		
The company	JOHANSON	Corporate director	167,373	3.30	-		12,854 Note	1,674

Note: Until the April 25, 2019.

- I. Trading in derivative instruments: None
- (2) Information on investments: None
- (3) Information on investment in Mainland China: None
- (4) Information of major shareholders as of March 31, 2020:

Shareholder name	Number of shares	Percentage of ownership (%)
Kuo Chia Fu Investment Corporation	5,485,189	7.94%

The major shareholders list of 5% or more is provided by the Taiwan Depository & Clearing Corporation.

**14. Segment information:**

The profit or loss, assets and liabilities of the operation segment were consistent with the related accounts shown in the balance sheet and comprehensive income statement of the Company.